



State of Connecticut

HOUSE OF REPRESENTATIVES STATE CAPITOL

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MEMBER
ENVIRONMENT COMMITTEE
FINANCE, REVENUE AND BONDING COMMITTEE
JUDICIARY COMMITTEE

March 13, 2012

Re: HB 5400- AN ACT CONCERNING THE MUNICIPAL EMPLOYEE RETIREMENT SYSTEM CONTRIBUTION RATE

I would like to thank the Honorable Co-Chairs Senator Edith Prague and Representative Bruce Zalaski, the Honorable Vice Chairs Senator Edwin Gomes and Representative Ezequiel Santiago, and the Ranking Members Senator Anthony Guglielmo and Representative John Rigby, and the entire membership of the Labor Committee for their time this afternoon addressing this issue.

I offer this testimony in support of RB 5400.

All of us in the General Assembly have heard the requests of our municipal officials for relief from unfunded mandates and for prudent legislation that will allow our cities and towns to manage their affairs. Too often we pass legislation with the best of intentions, only to hear from our mayors and first selectman about the negative impact our efforts are having on municipal budgets.

Raised Bill 5400 presents an opportunity to both pass prudent legislation, and to give our municipalities a modicum of financial help.

As this committee knows, the Municipal Employee Retirement System is a state run pension program provided to Connecticut municipalities. MERS was created in 1947 to give cities and towns the opportunity to offer their employees a stable pension benefit through pooling municipal monies under a combined management structure.

While the annual contribution rate for municipalities is adjusted nearly every year by the State Retirement Commission, the employee contribution rate has not changed in over 60 years – as in 1947, the employee contribution rate is still 2.5 to 5% of the employee's income (varying on whether the employee also participates in social security). This has resulted in a disproportionate share of the financial burden being placed on the municipality – indeed, in the last decade the municipal contribution rate has increased 400% while the employee rate has stayed the same. Even worse, the recent

assessments have been both large and unpredictable (e.g., Weston had two consecutive years of 20% increases) thus placing an incredible burden on municipal budgets.

Raised Bill 5400 finally ticks the employee contribution rate upwards to restore balance to the fund and to the system, and to give our cities and towns a small degree of relief in a time when it is most needed. Thank you for your consideration. Should you have any questions please do not hesitate to contact my office.

Respectfully,

John T. Shaban
State Representative, 135th District